

SEQUIM CITY COUNCIL AGENDA COVER SHEET

MEETING DATE: July 27, 2015

FROM: Sue Hagener, Administrative Services Director

SH
Initials

SUBJECT/ISSUE: 2015 2nd Quarter Financials

Discussion dates			
CATEGORY	<input type="checkbox"/> City Manager Report	<input type="checkbox"/> Information Only	Time Needed for Presentation 10
	<input type="checkbox"/> Public Hearing	<input type="checkbox"/> Consent Agenda	
	<input checked="" type="checkbox"/> Unfinished Business	<input type="checkbox"/> New Business	
Reviewed by	Initials		Date
Craig Ritchie, City Attorney and Interim City Manager	CAR		7-21-2015

PROBLEM/ISSUE STATEMENT:

The second quarter 2015 Financial Report provides the financial results for the first six months of the year. It includes an explanation of significant variances from budget. The reports are provided quarterly to inform the City Council and Community as to the progress for the year including budget amendments that may be required. It should be noted that any reference to beginning fund balances will be subjected to an audit in 2015.

LIST OF ATTACHMENTS:

1. [Summary by Fund](#)
2. [Narrative Summary of Funds](#)
3. [Supportive Data Graphs](#)
4. [2015 Capital Projects](#)

DISCUSSION/ANALYSIS:

The attached information is presented to give the City Council and Community a pre-audit look at the results of operations and financial position for the first half of 2015. The Budget is adopted at the fund level and thus is presented accordingly.

General Fund Beginning fund balance was strong at \$1.8ml and \$81k higher than budgeted. General fund revenues were \$233k (5%) less than budgeted. Sales tax remains strong at 106% of budget. Permitting activities heated up in second quarter and related revenues are now 124% of budget. Utility taxes are at 96% of budget (warm winter impacted electricity tax). Property taxes rebounded from first quarter and are now at 101% of budget. Interfund/overhead revenues are at 75% of budget, but we anticipate a rebound later in the year due to the cyclical nature of this revenue and the completion of the Civic Center project. Staff continues to control supply and service expenditures resulting in a positive impact to the fund with total expenditures under budget by \$127k (3%). Jail costs from 2014 are bringing in intergovernmental expenses in higher than projected but we expect an overall saving in 2015 from prior years. The ending fund balance of \$1.6ml is still above policy minimums.

Street Operations (Unrestricted) Beginning fund balance was \$138k and \$11k lower than budgeted. Revenues were \$55k (17%) less than budgeted because the fund awaits a TBD reimbursement for safety and maintenance expenses. Actual expenditures were also under budget (\$59k or 18%) and consistent with the seasonal nature of streets expenditures. The ending fund balance of \$40k is low (represents only .5 months of operations) but will be within policy limits when the TBD reimburses the City.

Water Operations (Unrestricted) Beginning fund balance for 2015 was \$933k and \$170k higher than budgeted. Actual Revenues are \$8k (1%) more than budgeted (on target in other words) and actual expenditures were \$89k (9%) less than budgeted (supplies, small tools and interfund charges). Ending fund balance of \$959k represents 6 months of operations.

Sewer Operations (Unrestricted) Beginning Fund Balance for 2015 was \$1.4ml and \$133k more than budgeted. Actual Revenues for the year are \$6k (.3%) more than budgeted (on target in other words) and actual expenditures are \$176k (9%) less than projected (supplies). Ending fund balance of \$1.6ml represents 5 months operations.

206 Debt Service LTGO Bonds: Investment interest income was budgeted in 2015 to support payment of debt service however this income did not meet expectations (due to condensed cash flow needs of the overall project). This will require additional resources (approximately \$40k) to pay the debt service. A budget amendment will be forth coming.

306 Capital Facilities: In 2014, 2015 Civic Center project costs were budgeted based upon forecasted cash flow using our best estimates at the time. These forecasts underestimated 2015 expenses. Also since then, council has approved increases in total project costs related to the community plaza, partially funded by the increased proceeds from the water and sewer revenue bonds. This will require a mid-year budget amendment. Also, a “roll forward” budget amendment will be needed for the vac-truck garage and Guy Cole improvements that continue into 2015.

All **Other Funds** were either on track or above *general* budget projections or did not present any significant concerns.

FINANCIAL IMPLICATIONS: Discussion above.

RECOMMENDATION: Presented to the City Council and Community. No action needed.